

North Dakota REV-E-NEWS



Pam Sharp, Director

OFFICE OF MANAGEMENT AND BUDGET

600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400

January 2009

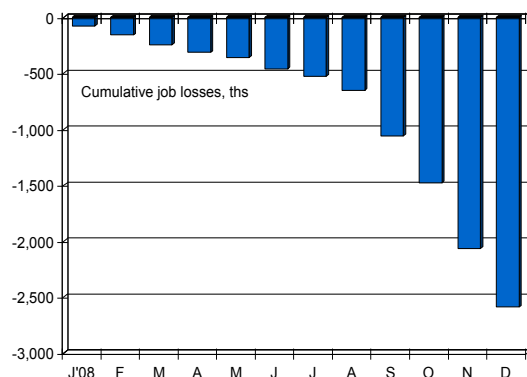
MESSAGE FROM THE DIRECTOR

North Dakota Unemployment Half of National Rate!

Recently released statistics from the Bureau of Labor Statistics for the month of November 2008 show that the rate of unemployment in North Dakota was the second lowest in the nation at 3.3 percent, slightly less than half the national rate of 6.7 percent. North Dakota trailed Wyoming, which posted an unemployment rate of 3.2 percent, but edged out South Dakota at 3.4 percent, and Nebraska and Utah at 3.7 percent.

The North Dakota labor market remains healthy and continues to grow despite the nationwide economic slowdown and mounting job losses. The following chart, published by Moody's Economy.com in its January 2009 Précis Macro publication, shows that nationally, 2.6 million jobs have been lost from January to December 2008, with over 500,000 in December alone. Economy.com reports that "there are now 11 million unemployed and another 10 million who are underemployed."

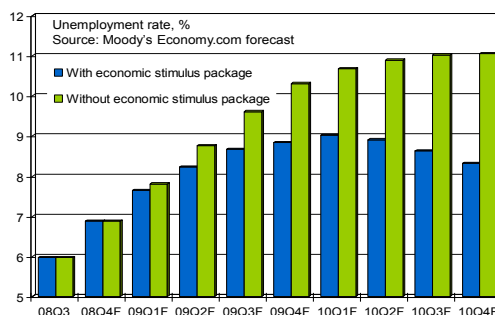
The Economic Downturn Is Intensifying



Labor Market Information Center data published by Job Service North Dakota indicates that from January to November 2008, the number of employed in North Dakota increased from 346,826 to 355,641, an increase of 2.5 percent. Nationally, the number of employed fell during calendar year 2008 by 1.3 million, or nearly 1.0 percent. The number of unemployed nationally increased from 8.2 million in January 2008 to 11.0 million in December 2008, **an increase of 2.8 million, or 33.8 percent**. In North Dakota, the number of unemployed decreased from 14,443 in January 2008 to 10,327 in November 2008, **a decrease of 4,116, or 28.5 percent**.

Moody's Economy.com predicts that the national unemployment rate will continue to increase. If no federal economic stimulus package is enacted, Moody's predicts national unemployment will grow to 11.0 percent, reaching its peak in the fourth quarter of 2010. If a federal stimulus package is enacted, they predict a peak in unemployment of 9.0 percent in the first quarter of 2010. However, Moody's forecasts a continued low unemployment rate for North Dakota, reaching 4.3 percent in 2009, then declining to 3.1 percent by 2012.

A Massive Economic Recovery Package



OIL ACTIVITY

The executive forecast for the 2009-11 biennium includes a revised fiscal year 2009 forecast. That forecast is based on oil production of 200,000 barrels per day by June 30, 2009, and price increasing to \$59 per barrel by the end of the fiscal year. Currently, the price of North Dakota crude has risen to around \$34 per barrel. However, production continues to set new records and increased in November to nearly 212,000 barrels per day. Drilling permit activity and rig count remain strong, despite the low price. The current rig count is 77 rigs, 24 more than were operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Nov 2008	Oct 2008	Sept 2008
ND sweet crude price per barrel	\$43.85	\$64.72	\$94.21
Production (barrels/day)	211,850	203,800	189,600
Drilling permits	77	102	103
Producing wells	4,275	4,236	4,193
Rig count	93	88	87

Comments or Questions?

Contact

Pam Sharp, Director

Phone: 701-328-2680

Fax: 701-328-3230

E-mail:

psharp@nd.gov

Visit the North Dakota web site

www.nd.gov

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2007-09 BIENNIUM December 2008

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April 2007 Leg. Forecast	Actual	Variance	Percent	April 2007 Leg. Forecast	Actual	Variance	Percent
Sales Tax	38,631,000	56,450,900	17,819,900	46.1%	677,152,000	792,621,564	115,469,564	17.1%
Motor Vehicle Excise Tax	4,087,000	4,675,999	588,999	14.4%	84,942,000	100,157,089	15,215,089	17.9%
Individual Income Tax	5,497,000	10,493,667	4,996,667	90.9%	334,537,000	435,212,082	100,675,082	30.1%
Corporate Income Tax	11,187,000	21,484,126	10,297,126	92.0%	99,006,000	177,439,478	78,433,478	79.2%
Insurance Premium Tax	913,720	630,662	(283,058)	-31.0%	37,890,886	46,220,530	8,329,644	22.0%
Financial Institutions Tax		48,868	48,868	100.0%	4,700,000	6,150,748	1,450,748	30.9%
Oil & Gas Production Tax*					39,839,000	39,309,315	(529,685)	-1.3%
Oil Extraction Tax*					31,161,000	31,690,685	529,685	1.7%
Gaming Tax	27,597	23,817	(3,780)	-13.7%	14,826,805	14,831,689	4,884	0.0%
Lottery					5,577,500	5,300,000	(277,500)	-5.0%
Cigarette & Tobacco Tax	1,933,000	1,740,318	(192,682)	-10.0%	36,185,000	34,566,450	(1,618,550)	-4.5%
Wholesale Liquor Tax	549,000	507,501	(41,499)	-7.6%	9,602,000	10,574,915	972,915	10.1%
Coal Conversion Tax	2,035,000	2,180,537	145,537	7.2%	36,165,000	36,762,883	597,883	1.7%
Mineral Leasing Fees	(500,000)	2,865,660	3,365,660	673.1%	9,650,000	21,915,704	12,265,704	127.1%
Departmental Collections	1,570,000	1,648,380	78,380	5.0%	39,296,000	43,992,073	4,696,073	12.0%
Interest Income	1,375,000	1,052,942	(322,058)	-23.4%	25,670,000	31,903,373	6,233,373	24.3%
Bank of North Dakota-Transfer	30,000,000	30,000,000		0.0%	30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers		675	675	100.0%	955,542	1,030,988	75,446	7.9%
Total Revenues and Transfers	97,305,317	133,804,054	36,498,737	37.5%	1,632,155,733	1,974,679,566	342,523,833	21.0%

* Oil and gas production and extraction tax collections totaled \$19.4 million in December. Because the \$71.0 million statutory cap for the 2007-09 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through December, oil tax collections totaling \$388.9 have been transferred, or are available for transfer, to the permanent oil tax trust fund and are not reflected on this report.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2007-09 BIENNIUM December 2008

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	December 2006	December 2008	Variance	Percent	2005-07	2007-09	Variance	Percent
Sales Tax	26,589,991	56,450,900	29,860,909	112.3%	611,838,469	792,621,564	180,783,096	29.5%
Motor Vehicle Excise Tax	4,392,123	4,675,999	283,876	6.5%	92,388,492	100,157,089	7,768,597	8.4%
Individual Income Tax	5,526,423	10,493,667	4,967,245	89.9%	387,964,270	435,212,082	47,247,812	12.2%
Corporate Income Tax	26,627,884	21,484,126	(5,143,758)	-19.3%	158,699,854	177,439,478	18,739,623	11.8%
Insurance Premium Tax	886,913	630,662	(256,250)	-28.9%	36,065,935	46,220,530	10,154,596	28.2%
Financial Institutions Tax	4,137	48,868	44,731	1081.2%	4,268,049	6,150,748	1,882,699	44.1%
Oil & Gas Production Tax*					45,970,447	39,309,315	(6,661,131)	-14.5%
Oil Extraction Tax*					25,029,553	31,690,685	6,661,131	26.6%
Gaming Tax	21,818	23,817	2,000	9.2%	13,259,666	14,831,689	1,572,023	11.9%
Lottery					6,300,000	5,300,000	(1,000,000)	-15.9%
Cigarette & Tobacco Tax	1,866,673	1,740,318	(126,355)	-6.8%	33,887,117	34,566,450	679,333	2.0%
Wholesale Liquor Tax	482,161	507,501	25,341	5.3%	9,656,965	10,574,915	917,950	9.5%
Coal Conversion Tax	2,073,569	2,180,537	106,968	5.2%	37,419,848	36,762,883	(656,964)	-1.8%
Mineral Leasing Fees	27,475	2,865,660	2,838,184	10329.9%	11,238,396	21,915,704	10,677,308	95.0%
Departmental Collections	1,451,711	1,648,380	196,670	13.5%	36,492,322	43,992,073	7,499,751	20.6%
Interest Income	1,546,392	1,052,942	(493,450)	-31.9%	21,323,685	31,903,373	10,579,688	49.6%
Bank of North Dakota-Transfer	30,000,000	30,000,000		0.0%	30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer	25,300,000		(25,300,000)	-100.0%	55,300,000	115,000,000	59,700,000	108.0%
Other Transfers	9,001,069	675	(9,000,394)	-100.0%	18,722,928	1,030,988	(17,691,940)	-94.5%
Total Revenues and Transfers	135,798,338	133,804,054	(1,994,284)	-1.5%	1,635,825,995	1,974,679,566	338,853,571	20.7%

* Oil and gas production and extraction tax collections totaled \$19.4 million in December. Because the \$71.0 million statutory cap for the 2007-09 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through December, oil tax collections totaling \$388.9 have been transferred, or are available for transfer, to the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

December 2008 revenues are \$133.8 million, \$36.5 million more than projected in the original legislative forecast and \$20.2 million more than estimated in the recently completed 2009-11 executive forecast. Biennium to date collections exceed the original forecast by \$342.5 million, or 21.0 percent. Notable variances for the month are as follows:

- **Sales tax** collections for the month of December exceed the original legislative forecast by \$17.8, bringing the biennium to date variance to \$115.5 million, or 17.1 percent. Through December, sales tax collections exceed the previous biennium by \$180.8 million, or 29.5 percent.
- **Motor vehicle excise tax** collections continue to exceed the forecast. Collections exceed the original forecast by \$590,000, or 14.4 percent for the month and by \$15.2 million for the biennium to date. Following steady declines during the 2005-07 biennium, collections are currently 8.4 percent higher than at the same time last biennium.
- **Individual income tax** collections exceed the original forecast by \$5.0 million for the month. Biennium to date collections exceed the forecast by \$100.7 million, or 30.1 percent.
- **Corporate income tax** collections exceed the original forecast by \$10.3 million. Throughout the biennium, corporate tax collections have continually exceeded the original forecast and are currently \$78.4 million, or 79.2 percent, higher than originally estimated.
- **Oil and gas tax** collections for the month are \$19.4 million. Because the \$71.0 million general fund cap was reached in November 2007, the entire \$19.4 million will be deposited in the permanent oil tax trust fund. The current price of North Dakota crude is approximately \$34 per barrel, but November production averaged 211,850 barrels per day, setting a new record for North Dakota.
- **Mineral leasing fees** exceed the forecast by \$3.4 in December. These revenues are received by the state as a result of mineral extraction on federal lands within the boundaries of the state and are shared equally with the counties within which the minerals are produced. High oil prices and production have resulted in additional mineral income for the state and counties. The state share exceeds the original forecast by \$12.3 million for the biennium.

OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110
BISMARCK, ND 58505-0400
<http://www.nd.gov/fiscal> or www.nd.gov/omb